

Findings from the Local Authority Insight Survey

Wave 30: Housing Benefit Subsidy Regime

October 2015

DWP ad hoc research report no. 25

A report of research carried out by Ipsos MORI on behalf of the Department for Work and Pensions.

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Executive summary

Background and methodology

Ipsos MORI was commissioned by the Department for Work and Pensions (DWP) to conduct research into strengthening the effectiveness of the Housing Benefit (HB) Subsidy Regime as an incentive for tackling HB fraud and error. The study was commissioned in response to recommendations made by the report of the HB Fraud and Error Public Accounts Committee (PAC) hearing, which took place on 29 October 2014.

The study involved two strands of research: an online survey of Local Authorities (LAs) in England, Scotland and Wales, and three face-to-face discussion groups with LA representatives in England.

Key findings

LAs retaining 100 per cent of recovered overpayments is viewed as the most effective aspect of the subsidy regime, while the 40 per cent subsidy payment for claimant error and fraud is viewed as least effective. However, even here 50 per cent of LAs think this element is effective in keeping Housing Benefit fraud and error to a minimum.

LAs stated that whilst the recovery of overpayments is a resource-intensive task, it is something which they felt they should be undertaking. Indeed, most LAs are working to recover overpayments to some extent.

In the current economic climate, some LAs are of the opinion that they do not have the funds to fully identify and pursue HB fraud and error; they have suggested the need to be able to employ more permanent members of staff to do this well.

LAs are willing to work towards targets to earn additional funding, and they have suggested potential incentives.

Specifically:

- LAs felt that activities involving payment by results such as the Fraud and Error Reduction Scheme (FERIS) should be expanded, but with the burdensome administration removed.
- Greater and more effective use of data sharing would help reduce fraud and error.
- Some LAs believe the current subsidy regime does not fully incentivise them to proactively look for claimant fraud and error as not finding fraud and error means they can receive 100 per cent subsidy. Real Time Information (RTI) may flag potential fraud and error that means LAs have to take further action.
- Allowing LAs to retain 100 per cent of overpayments recovered is appreciated, but does not always cover the full costs of the resources required to pursue the overpayments.

- Increasing the subsidy for claimant error to 60 per cent would mean LAs would be more likely to break even on the costs of recovering overpayments, making identifying fraud and error more financially viable.
- Alternatively, some form of tapering or a grace period of four weeks from notification of change of circumstances or receipt of data, such as RTI, would help.
- LA error lower and upper thresholds are felt to be too narrow, a range of 1 per cent - 1.5 per cent range would be more realistic.
- LAs initial impressions of the Single Fraud Investigation Service (SFIS)¹ are that HB fraud will not be investigated in the short-term and so the subsidy will not be affected. However, there are concerns it may lead to a build-up of overpayments and debt for LAs when investigations are finally conducted.

¹ The Single Fraud Investigation Service (SFIS) is a partnership between DWP Fraud Investigation Service, HMRC and Local Authorities. <https://www.gov.uk/government/publications/single-fraud-investigation-service>

1 Background and methodology

This summary presents findings from wave 30 of the Local Authority (LA) Insight survey, which focuses on the Housing Benefit (HB) Subsidy Regime.

1.1 Background

1.1.1 PAC report on fraud and error

A HB fraud and error Public Accounts Committee (PAC) hearing took place on 29 October 2014. The PAC issued a report with six recommendations for The Department for Work and Pensions (DWP).²

The report states that LAs felt that the current subsidy regime does not sufficiently incentivise them to identify fraud and error in their HB claims and provides suggestions for improvements from LAs. This study, conducted by Ipsos MORI, was commissioned from this wave of LA Insight to feed into DWP's review of the HB subsidy regime.

1.1.2 Fraud and error investigation

LAs are responsible not only for the administration of HB in their local areas, but also for the identification and detection of fraud and error and the recovery of resulting overpayments. The majority of overpayments result from claimant error.

Since 2014, DWP has been rolling out the Single Fraud Investigation Service (SFIS) project - a national service to tackle all welfare benefit and tax credit fraud. It brings together welfare benefit fraud investigations currently undertaken by DWP, LAs and Her Majesty's Revenue and Customs (HMRC).

1.1.3 The subsidy regime

DWP uses the subsidy regime to reimburse LAs for paying the correct amount of HB to claimants. The subsidy regime is designed to provide assurance to the Accounting Officer on the correct implementation of HB policy and the correctness of the amount of subsidy reimbursed to LAs. Specific to this assurance process are incentives for ensuring fraud and error in claims processed are addressed by LAs. It is important to note that the subsidy regime was not set up specifically to incentivise the detection of fraud and error. For this to happen, the regime would need a change of emphasis away from its current intention.

At present, the subsidy for LAs tackling HB fraud and error is 100 per cent of benefit expenditure, for correctly processed claims. LAs receive subsidy at 40 per cent for

² Please see: <http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpublic/706/706.pdf>

fraud and incorrectly processed claims (such as claimant error e.g. mistakes on a claimant's application).

The reason a reduced amount is paid is that LAs have the opportunity to recover all of the overpayment from the claimant, but in practice there will be costs associated with such recovery; also full recovery may not always be possible.

The subsidy regime varies for LA error (where the LA has made a mistake in processing the claim, or not processed it quickly enough). The amount of subsidy an LA receives is determined by thresholds expressed as a percentage of total correct payments that are subject to 100 per cent subsidy. Where LA error totals less than 0.48 per cent, the LA receives 100 per cent of subsidy; where LA error is between 0.48 per cent (lower threshold) and 0.54 per cent (upper threshold), they receive 40 per cent of subsidy; and if LA error is above 0.54 per cent, they receive no subsidy for any LA error overpayments.

1.2 Methodology

The study involved two strands of research: an online survey of LAs in England, Scotland and Wales, and three face to face discussion groups with LA representatives in England.

The online survey was designed to gather an overview of the issues surrounding the subsidy regime across a large number of LAs, and to give all LAs a chance to contribute to the research. The purpose of the discussion groups was to explore issues around the subsidy regime in-depth, and to probe participants on possible suggestions and improvements to the regime. Note that the findings from the groups are not intended to be representative of all LAs, but rather to provide a broader insight into the attitudes and opinions of those working closely with the subsidy regime.

Fieldwork was conducted between 1st and 30th June 2015.

1.2.1 Online survey

Participants

Ipsos MORI conducted an online survey of benefit managers or those in a similar position with 379 LAs in England, Scotland and Wales who administered HB.³ Email invitations containing unique links to the survey were sent to each organisation.

Following feedback from participants, mid-way through fieldwork (17th June), additional unique links were sent to 248 Section 151 (for England and Wales) and

³ One additional LA was not invited to take part as it requested not to be re-contacted for future waves of the Local Authority Insight Survey during wave 26.

Section 95 Officers (in Scotland) in each LA.⁴ These financial officers often work more closely with the subsidy regime than their colleagues in benefit teams.

Response rates

In total, Ipsos MORI received 168 responses to the survey (excluding duplicates). 155 were from HB Managers or similar, and 13 from Section 151/95 Officers.⁵

Of the 379 individual LAs, five could not be contacted. Also, many LAs reported operating some form of shared services for benefits management – 17 authorities who responded to the survey were managed by eight named individuals. Adjusting for this, the survey received a response rate of 47 per cent.

As can be seen in Appendix 2, there was a good spread of participants by type of authority and region. Nevertheless, the response rate varies somewhat between regions. This may affect the generalisability of the findings.

The questionnaire

The survey mainly focused on:

- Do LAs view the subsidy scheme as an incentive to minimise fraud and error?
- What would improve the subsidy regime as an incentive for LAs to minimise fraud and error?

The full questionnaire can be found in Appendix 1.

1.2.2 Discussion groups

Ipsos MORI conducted three discussion groups across England (in Blackpool, Leeds and London), with participants familiar with the HB subsidy regime and with knowledge of their LA's approach to HB fraud and error.

Approximately ten participants with a working knowledge of the subsidy regime attended each group. This included a mix of seniorities, and represented a range of LAs in the region. Each group lasted 1.5 hours.

Each group was conducted by an experienced Ipsos MORI moderator and note-taker, who led participants through a semi-structured informal discussion. All groups were recorded and later transcribed.

Discussion areas included:

- Challenges LAs face when trying to tackle HB fraud and error;

⁴ These are financial officers recruited under Section 151 of the Local Government Act 1972/ Section 95 of the Local Government Act (Scotland) 1973 which require every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs.

⁵ Responses from both HB Managers and Section 151/95 Officers were received from six LAs. In these cases, open question responses were used to determine which participant was most familiar with the subsidy regime, and this person's response was then included in the quantitative analysis. All responses to open questions were analysed.

- Effectiveness of the subsidy regime in encouraging identification of HB fraud and error; and
- Strengthening the subsidy regime as an incentive for tackling HB fraud and error.

The full discussion guide can be found in Appendix 3.

2 Key findings

2.1 The wider context

Participants in the discussion groups were asked to note down what they felt were the key challenges they face when tackling fraud and error. In the online survey, participants were asked the extent to which constraints on LA funding have affected detection of fraud and error. Additionally, a number of participants spontaneously brought up broader issues around LA funding, policy changes and data sharing in their open responses. This section details these responses in order to provide a wider context to findings around strengthening the effectiveness the HB Subsidy Regime as an incentive for tackling HB fraud and error.

2.1.1 Economic context and resource constraints

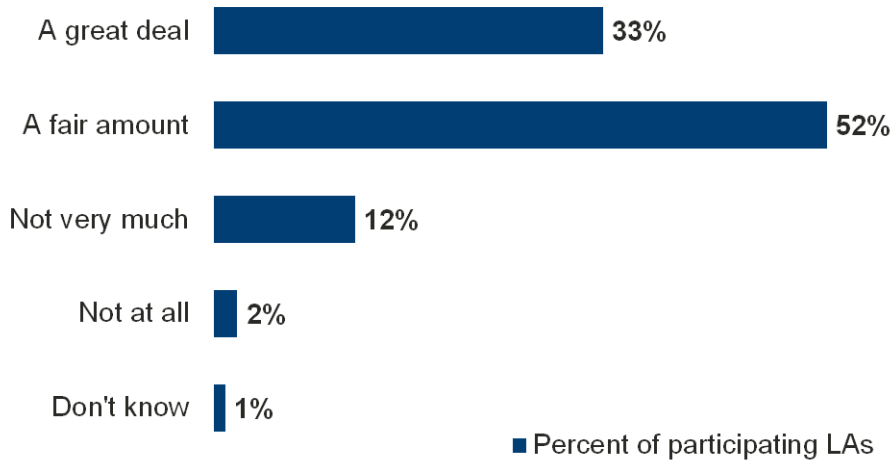
With the tightening of LA funding in recent years, LAs have had increasingly limited resources to fund work into tackling HB fraud and error⁶.

As shown below, the majority of LAs say a reduction in the administration grant⁷ has reduced their ability to detect overpayments of HB.

⁶ Several existing initiatives have, however, been introduced by DWP to reduce Housing Benefit overpayments, including: a Performance Improvement Fund seeking innovative ideas from Local Authorities to reduce losses due to fraud and error; and publication of an overpayment recovery good practice guide to help Local Authorities increase recoveries of Housing Benefit overpayments.

⁷ The administration grant for Housing Benefit is paid to LAs by central government to contribute to the costs of administering housing benefit.

Q1. To what extent, if at all, have constraints on LA funding available for administering HB reduced your ability to detect overpayments after the initial assessment has been made?



Base: All valid responses (168)

The strain of limited resource was also a recurring theme in the discussion groups. Participants explained that due to the reduction in administration grant, LAs often do not have the resources to follow up all potential fraud and error in a timely manner.

To make effective use of resources, LAs described focusing, as a minimum, on required statutory activity and working to recover only large overpayments. This results in an approach which focuses on the aspects which will help recovery of as much overpayment as possible, rather than speed or quantity of investigations. This can be at odds with the requirements of assessments made under the subsidy regime.

“The auditor wants everything to the penny, even disregarded income. It has no effect on the claim but it would be extrapolated as a financial error.”

– Discussion group participant

2.1.2 Housing Benefit policy changes

LAs feel that the changing policy within HB has made forward-planning difficult. Specifically, uncertainty around implications of the introduction of UC has raised questions for some LAs around how debt associated with HB overpayments will be handled.

“Some LAs can make money, but again, the more we raise now, we’re going to lose the power to recover it when UC comes in. We’re going to face a substantial financial hit. We doubt DWP will recover these debts for us.”

– Discussion group participant

Furthermore, participants in the discussion groups explained that the economic climate and uncertainty around the introduction of Universal Credit (UC), as LAs transition to UC during this period of roll-out, has resulted in experienced and able LA staff leaving their posts for more secure roles elsewhere. This has led to a reliance on agency staff, rather than hiring permanent Benefit Team members and Fraud Investigation Officers.

LA representatives explained that the systems in place around administration of HB are incredibly complex for claimants and LA staff alike.

“There’s seven different rent schemes that assessors are to know about along with different rules for pensioners versus those that aren’t pensioners, different capped limits, effective dates.”

– Discussion group participant

Given that it can take up to 12 months to fully train a new member of staff, LAs report they are struggling to retain the required level of knowledge and experience in their workforce to target fraud and error effectively.

“Perfect staff don’t grow on trees and we’ve got rid of a lot of staff because of admin grant cuts, so you can either pay overtime to staff which is very limited these days, or you go to an agency at £1,000 a week.”

– Discussion group participant

2.1.3 Quality of data

Participants said a small percentage of claimant error is caused by claimants intentionally not informing LAs of changes in circumstances; however, in the majority of cases, claimant error occurs due to claimants’ lack of knowledge of their responsibilities.

LAs discussed a need for improved claimant education as they tend not to be aware of the requirements for them to report changes in circumstances, particularly relevant for those earners on tax credits, and those who are self-employed. LAs said the issue is partly attributed to the conflicting requirements and messages received from different government departments (e.g. DWP requires specific details on hours worked, whereas HMRC does not).

“The main reason changes go unreported is due to customers’ failure to fully understand their responsibilities and the lack of administrative resources within local authorities to go looking for these changes. The fact that cases go unreviewed for extended period means that when overpayments are found they can cover a large period of time and large sums.”

– Online survey participant

Aside from information provided by claimants, the increased provision of data provided to LAs from other sources in recent years has, to some extent, aided fraud investigations. However, LA representatives explained that a lack of access to HMRC

data can be problematic. Additionally, data from Automated Transfer of Local Authority System (ATLAS)⁸, Real Time Information (RTI)⁹ and the HB Matching Service (HBMS)¹⁰ can be of poor quality and can be resource-intensive to decipher.

“I think the resource data is good that’s been put in, but we have to grapple with huge, huge streams of data that keep on coming through with issues. We’re having to work round and put different processes in place and it causes staff problems, again it increases the propensity for error as well.”

– Discussion group participant

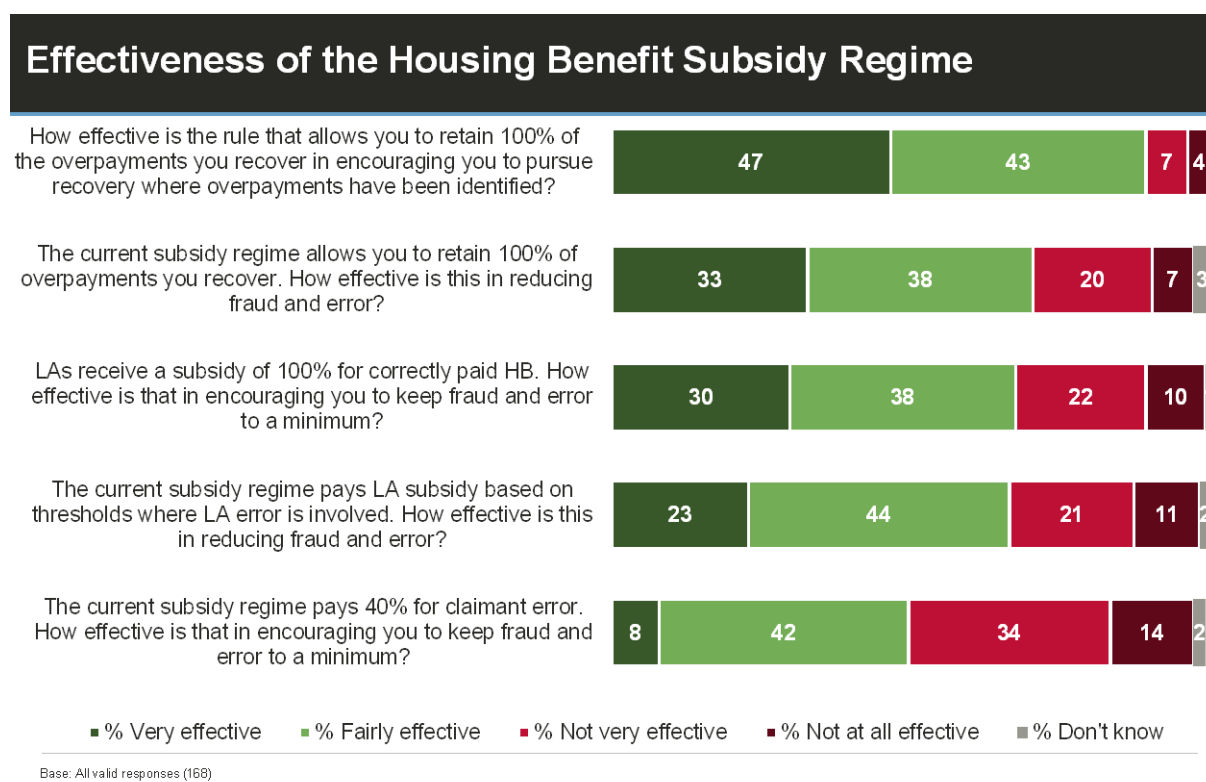
⁸ Provides LAs with daily updates on of changes in benefit and Tax Credit entitlements.

⁹ Provides LAs with real time feedback on an individual’s earnings data which can be cross-checked against any benefits claims.

¹⁰ Compares information held on housing benefits systems with information held for other social security benefits and tax credits.

2.2 Effectiveness of the HB subsidy regime

LAs retaining 100 per cent of recovered overpayments is viewed as the most effective aspect of the HB subsidy regime. The 40 per cent subsidy payment for claimant error and fraud is viewed as least effective, though this is still viewed as being effective by half (50%) of LAs.



In-line with this pattern, in the discussion groups, LAs said being reimbursed for HB paid correctly is both appropriate and fair.

“Correctly paid benefit should always attract 100 per cent subsidy. HB is a government scheme and therefore any benefits correctly paid should be fully reimbursed.”

– Discussion group participant

The story however, is a little more complex, as some LAs explained that for a number of reasons, retaining 100 per cent of recovered overpayments often does not cover the cost of the resources required.

Firstly, LAs stated that the recovery of overpayments is a resource-intensive task. It is however something which participants in the discussion groups felt they should be undertaking regardless of funding. Indeed, most LAs are working to recover overpayments to some extent.

Secondly, LAs say that it can sometimes take years to recover the debt from HB payments. This becomes particularly difficult for certain groups, for example those who are self-employed or move out of the LA area.

These factors, combined with the inability of claimants with a reduced income to pay their debts means that in many cases there is an overall net loss on the resource invested in recovering the debt versus the potential overpayment amount available for recovery. In the current economic climate, this means working to recover overpayments can be a struggle for LAs.

In order to continue recovering overpayments where they can, some LAs have prioritised recovering larger amounts of debt, accepting small amounts as loss. Additionally, some have sought to recover funds via employers (for those in work), to encourage claimants to settle their debt.

Although LAs say they would always seek to avoid fraud and error, under the current subsidy regime where they receive 40 per cent subsidy for claimant error, the easiest way to receive the full subsidy is for LAs not to identify fraud and error. This implied that for some the incentive may not be working as intended, although 50 per cent of LAs felt this measure was very or fairly effective in reducing fraud and error.

“This [the 40 per cent subsidy] acts as a massive disincentive. Creating an overpayment causes an immediate loss to LA finances. Although we do have some success with overpayment collection, undoubtedly the net effect is a significant financial loss.”

– Online survey participant

More recently, data sources from outside the LAs, such as RTI and National Fraud Initiative (NFI)¹¹, are highlighting potential cases of fraud and error, so some LAs may be less autonomous than they have been in the past, and feel the need to act on this data whether or not they are conducting their own analysis.

“Over time Housing Benefit claims have become more complex and the introduction of ATLAS, RTI and Fraud and Error Reduction Scheme (FERIS)¹² have seriously increased the overall level of overpayments being identified.”

– Online survey participant

2.2.1 LA error thresholds

A total of 67 per cent of participants felt that the thresholds of 0.48 per cent and 0.54 per cent are very or fairly effective in reducing fraud and error, however they are viewed as making only a small contribution to reducing the overall cost of fraud and

¹¹ NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

¹² The Department launched FERIS in 2014, which provides financial incentives to Local Authorities who reduce fraud and error in their Housing Benefit cases. Under the scheme each local authority is set a baseline for a set period to measure their performance against.

error. Furthermore, LAs vary greatly in their distance from the thresholds, and so the thresholds effectiveness in reducing fraud and error varies greatly across Britain. LAs that are far from the thresholds may be disincentivised to bring their error within the thresholds if they think them unachievable.

The LA error thresholds are considered by some as a crude measure as LAs can be penalised for exceeding the threshold by less than £100 – it is felt that there is very little margin between success and penalty.

As a consequence of these thresholds, Financial Directors within LAs are now particularly focused on whether their LA is within the threshold – it is the norm for them to review the figures on a monthly basis.

“Years ago our accountant wasn’t too concerned, now they work with us monthly to make sure the figures are where they think they should be and where they want them to be.”

– Discussion group participant

2.3 The impact of Single Fraud Investigation Service (SFIS)

LA representatives that had had some exposure to SFIS felt there had been far less investigation than expected to date, and so predicted that undetected fraud activity among claimants will increase in the short to medium term. Further, they suggested the amount of HB subsidy received by LAs will not be affected as fraud will not be identified.

“We’ve referred 64 cases in the last few months since we’ve gone to SFIS and only two have come back. So we continue to pay these customers until we have heard from DWP and they take months to come back. We’ve had to chase ourselves after 50 days when nothing comes back.”

– Discussion group participant

LAs felt the transfer to SFIS has led to fewer investigation outcomes, and therefore fewer opportunities for LAs to recover overpayments, as well as a risk of increasing LAs financial exposure once overpayments are finally calculated.

One ex-fraud investigator said he would be tempted to suspend the claim before referral to mitigate the creation of a large overpayment.

2.4 Suggested improvements

Both in the online survey and in the discussion groups, LA representatives were asked for their realistic suggestions for improvements to the subsidy regime, with discussion groups used to also discuss possible incentives. This section outlines these suggestions.

2.4.1 Improvements to the subsidy regime

Claimant error

It was suggested that claimant error subsidy should be raised to 60 per cent reimbursement¹³, meaning only 40 per cent of overpayments would need to be recovered to break even on the costs of recovering overpayments. Given the LAs' limited financial resources, avoiding any loss associated in working to recover overpayments would act as an incentive for overpayment recovery activity, but it would not reduce the levels of fraud and error.

“Piecemeal funding of initiatives such as FERIS/Security Against Fraud and Error (SAFE)¹⁴ does not secure sustainable resource to prevent HB fraud and error, especially within an organisation tasked with making cuts to services.”

– Discussion group participant

Participants in the discussion groups suggested allocating subsidy for targeted reviews of specific problem areas, e.g. earners, rather than all claimants.

In order to overcome the issue of LAs being reluctant to actively seek out overpayments going back several years, one participant suggested capping the reduced (60 per cent) subsidy so it would only apply to, for example, the first £500 of the overall overpayment. Any overpayment over the cap would not impact on subsidy received.

Overpayment recovery

It was suggested that LAs should be paid for recovery activity and identifying overpayments rather than just retaining overpayments recovered (as was the case previously with the Weekly Benefit Savings (WBS) scheme¹⁵).

“If you want people to identify overpayments you need to minimise the financial impact and incentivise recovery.”

– Discussion group participant

LA error

Participants suggested amending the LA error thresholds. They proposed that instead of the current 0.48 per cent and 0.54 per cent, it should be in the one per cent to 1.5 per cent range. This would allow more leeway on small overpayments, and broaden the distance between reward and penalty.

¹³ Currently, overpayments due to claimant fraud or error are subsidised at 40 per cent, as outline in the background section of this report.

¹⁴ From 2002/03 until end of 2006/07 the SAFE scheme provided financial rewards to LAs for finding overpayments and for sanctioning and prosecuting fraudsters.

¹⁵ The WBS scheme was the precursor to SAFE. It offers financial rewards to LAs who met their WBS target specifically for prevention of fraud.

Additionally, there were several suggested methods by which the subsidy for LA error could be tapered, rather than current 100 per cent, 40 per cent and 0 per cent which was viewed as too crude by LAs.

- Introduce a grace period of approximately four weeks as investigations made using ATLAS, RTI and FERIS, led to a delay in processing.
- Similarly, introduce a four week 'Administration Period' from notifying change, where the LA would still receive 100 per cent subsidy. Thereafter any administrative delay would be funded at 40 per cent.

2.4.2 Alternative suggestions for improvements to the subsidy regime

Funding arrangements

LAs felt that activities involving payment by results, such as FERIS, should be expanded, but with the burdensome administration removed.

"It's got to be a carrot."

– Discussion group participant

Additionally, LAs would need to have the potential for longer term funding (three to five years, or at least until the next comprehensive spending review period) to support the recruitment of permanent and experienced members of staff.

Online review forms

LA representatives would not advocate a return to the previous paper-based review system, and instead favoured the introduction of a new system, funded by DWP for LA use. They saw benefits of this being online and automated as this would save on resource. It was felt that going to claimants directly would overcome the requirement to educate claimants of the need to tell LAs about any changing circumstances¹⁶.

"I think reviews can be very different now; there is more online capacity for people to review their claim. The FERIS funding that went to Northgate sites enables people to log in and see what the claim says at the moment and tell us what the change is."

– Discussion group participant

Data sharing

LAs suggested improving access to data, data-sharing and joint working between organisations (e.g. LAs, HMRC and Jobcentre Plus) would make fraud and error work more efficiently.

This might include tracing the debtor via the employer (especially when they move out of the area or are no longer receiving HB), and allowing the attachment of recovery to tax credits.

¹⁶ The Department has launched a FERIS communications toolkit designed to help Local Authorities raise awareness among Housing Benefit claimants of what changes of circumstances are; of the need to report those in a timely way; and to increase understand of the implications of not doing so.

“Most of them will repay [the debt] because they do not want their employer knowing that they have got a debt to the Authority. So, we have people that make us offers so they will pay us £200 a month to get rid of it.”

– Discussion group participant

On SFIS, some LAs felt DWP should have direct access to LA systems to reduce the administrative burden, rather than needing to ask for large amounts of data in hardcopy.

“DWP cannot have access [to LA files] so it is an antiquated system of sending messages back and forth. You are literally copying notepads and documents.”

– Discussion group participant

Appendix 1 - Questionnaire

DWP LA Insight Wave 30: Housing Benefit Subsidy Regime

DWP has commissioned Ipsos MORI to do one more wave of Local Authority Insight this summer to inform the review of incentives to encourage Local Authorities (LAs) to tackle Housing Benefit (HB) Fraud and Error more effectively. They are particularly interested in the current Housing Benefit subsidy regime as an incentive to LAs for reducing fraud and error in HB claims.

As you may be aware, LAs receive a subsidy of 100 per cent for correctly paid HB. However, in specific areas of HB expenditure reduced rates apply. Lower rates of subsidy apply where overpayments are due to fraud or error. We would like people who are familiar with the HB subsidy regime and what it means for their LA to complete this questionnaire, if you are not best placed to do this please could you forward the email you received to the person who is.

The findings of this wave will feed into DWP's review of the subsidy regime and inform the response to the Public Accounts Committee's report on HB Fraud and Error.

Please take the time to complete this questionnaire and tell us your thoughts on the matter.

Your answers to this survey are completely confidential to the research team at Ipsos MORI.

Please feel free to consult colleagues when answering this survey. Please note that you can close the survey and reopen it at the most recent point, should you need to do so.

1. To what extent, if at all, have constraints on LA funding available for administering HB reduced your ability to detect overpayments after the initial assessment has been made?

A great deal

A fair amount

Not very much

Not at all

Don't know

2. a) LAs receive a subsidy of 100 per cent for correctly paid HB. How effective is that in encouraging you to keep fraud and error to a minimum?

Very effective

Fairly effective

Not very effective

Not at all effective

Don't know

- b) In your opinion, how could this be improved?

3. a) The current subsidy regime pays 40 per cent for claimant error. How effective is that in encouraging you to keep fraud and error to a minimum?

Very effective

Fairly effective

Not very effective

Not at all effective

Don't know

- b) In your opinion, how could this be improved?

4. What do you think the impact of Single Fraud Investigation Service (SFIS) might be on fraud and therefore HB subsidy?

5. The current subsidy regime allows you to retain 100 per cent of overpayments you recover. How effective is this in reducing fraud and error?

Very effective

Fairly effective

Not very effective

Not at all effective

Don't know

6. a) And how effective is the rule that allows you to retain 100 per cent of the overpayments you recover in encouraging you to pursue recovery where overpayments have been identified?

Very effective

Fairly effective

Not very effective

Not at all effective

Don't know

b) In your opinion, how could this be improved?

7. a) The current subsidy regime pays LA subsidy based on thresholds where LA error is involved. How effective is this in reducing fraud and error?

Very effective

Fairly effective

Not very effective

Not at all effective

Don't know

b) In your opinion, how could this be improved?

8. Finally, are there any other changes to the subsidy regime that would cause you to do more to reduce HB fraud and error?

END

Appendix 2 – Responses by LA type and region

There is a good spread of participants (those who completed the survey) by type of authority and region which mirrors that of non-responders (those who didn't complete the survey). Column totals may not equal 100 per cent, due to rounding.

| Type of authority | Completed survey | | Did not complete survey | |
|-------------------|------------------|----|-------------------------|-----|
| | per cent | n | per cent | n |
| English District | 55 | 93 | 51 | 108 |
| London | 11 | 18 | 7 | 15 |
| Metropolitan | 7 | 12 | 11 | 23 |
| Scottish | 8 | 14 | 9 | 18 |
| Unitary | 15 | 25 | 15 | 31 |
| Welsh | 4 | 6 | 8 | 16 |

| Region | Completed survey | | Did not complete survey | |
|--------------------------|------------------|----|-------------------------|----|
| | per cent | n | per cent | n |
| East Midlands | 11 | 15 | 12 | 25 |
| East of England | 12 | 27 | 8 | 17 |
| London | 9 | 18 | 7 | 15 |
| North East | 3 | 7 | 3 | 6 |
| North West | 10 | 12 | 12 | 26 |
| Scotland | 8 | 14 | 8 | 18 |
| South East | 18 | 33 | 17 | 37 |
| South West | 10 | 17 | 9 | 20 |
| Wales | 6 | 6 | 8 | 16 |
| West Midlands | 8 | 13 | 8 | 17 |
| Yorkshire and the Humber | 6 | 6 | 7 | 15 |

Appendix 3 – Discussion Guide

Housing Benefit Fraud and Error Focus group with Local Authority Benefit Managers Discussion guide

1. Background and context of the research

The subsidy regime is designed to provide assurance to the Accounting Officer on the correct implementation of Housing Benefit (HB) policy and the correctness of the amount of subsidy reimbursed to Local Authorities (LAs). Specific to this assurance process are incentives for ensuring fraud and error in claims processed are addressed by LAs. It is important to note that the subsidy regime was not set up specifically to identify and incentivise fraud and error. For this to happen, the regime will need a change of emphasis away from its current intention.

At present, the 'subsidy' is 100 per cent of benefit expenditure, for correctly processed claims and at 40 per cent for incorrectly processed claims (claimant error e.g. mistakes on a claimant's application and fraud (self-explanatory), and varies for LA error (where the Local Authority has made a mistake in processing the claim, or not processed it quickly enough). Where LA error totals less than 0.48 per cent the LA receives 100per cent of subsidy, where it is between 0.48per cent and 0.54per cent they receive 40 per cent and if LA error is above 0.54 per cent they receive no subsidy for any LA error overpayments.

2. Research scope and objectives:

The research questions will focus on key elements of the subsidy regime in order to best inform future propositions. These include:

- How does the current subsidy regime operate for LAs?
- What changes would need to be made to the subsidy regime to strengthen incentives for LAs to reduce overpayments in HB due to fraud and error to tackle fraud and error more effectively?

To answer these objectives, we are adopting a two-stage approach to the work:

- One extra wave of the LA Insight survey: asking LAs how they currently operate under the subsidy regime and exploring what may incentivise them further to identify fraud and error, building on internal analysis of admin data already undertaken by the Department.
- Three in-depth focus groups with HB managers in Leeds, London and Blackpool to explore their views on whether changes are required to improve the effectiveness of the subsidy regime; and potential reform of the subsidy regime in order to strengthen incentives for LAs to reduce overpayments in HB due to fraud and error.

3. Checklist for moderators

- Ensure participants know they are taking part confidentially and they will not be identified in any outputs
- Ensure you have copies of the visual stimulus materials and also a flipchart to use during the discussion
- Ensure participants are happy for the discussion to be digitally recorded

4. Structure of the discussion

Groups are expected to last for 1 hour and 7 minutes, broadly divided into the following sections.

| Notes | Guide Sections | Guide Timings |
|--|---|---------------|
| 1. Introductions and background | Sets the scene, reassures participants about the interview, confidentiality and anonymity, intros. | 7 mins |
| 2. Opening discussion | This section will give participants a chance to comment on national statistics related to HB fraud and error. Participants will be invited to share their top 3 challenges faced when tackling HB fraud and error from a local context. These will be noted down by moderators and revisited throughout the discussion. | 15 mins |
| 3. Understanding the impact of the subsidy regime | This section will explore views of what the current subsidy regime means for participants and the LA and how this affects current practice. | 15 mins |
| 4. Strengthening | Drawing on issues discussed throughout, this section will collect detailed information on | 25 mins |

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| incentives to tackling HB fraud | 1. whether the current subsidy regime can be improved in order to reduce HB fraud and error 2. if so; strategies that can be implemented to improve the current subsidy regime 3. strategies to replace the current subsidy regime that warrant further consideration | |
| 5. Final thoughts and close | Opportunity for final reflections and any other issues important for participants. Reminder of confidentiality and close. | 5 mins |

We use several conventions to explain to you how this guide will be used, described below.

| Timings | Questions | Notes and Prompts |
|----------------|--|---|
| | <p><u>Underlined</u> = Title: This provides a heading for a sub-section</p> <p>Bold = Question or read out statement: Questions that will be asked to the participant if relevant. Not all questions are asked during fieldwork based on the moderator's view of progress.</p> <ul style="list-style-type: none"> ▪ Bullet = prompt: Prompts are not questions – they are there to provide guidance to the moderator if required. | This area is used to summarise what we are discussing, provides informative notes, and some key prompts for the moderator |
| | Typically, the researcher will ask questions and use the prompts to guide where necessary. Not all questions or prompts will necessarily be used during the discussion. | |

| Timing | <u>1. Introductions and background</u> | Notes and prompts to moderator |
|--------|--|--|
| 7 mins | <ul style="list-style-type: none"> - Thank participants for taking part - Introduce self, Ipsos MORI - Background to the research: Qualitative groups intended to compliment the Local Authority Insight Survey. Wave 27, which they may have seen in September 2014, asked about Housing Benefit Fraud and Error. These groups aim to further explore the issues with tackling this and strategies for improvement. Participants selected whose LAs are closest to the location of the group. - Confidentiality: reassure that all responses are anonymous and that information about individuals will not be passed on to anyone, outside the research teams at Ipsos MORI and DWP, who will use it for research purposes only. - Role of Ipsos MORI – independent research organisation (i.e. independent of GOVERNMENT), gather all opinions: all opinions valid. - Remind that there are no right or wrong answers. - Commissioned by DWP to conduct the research. - Get permission to digitally record – transcribe for quotes, no detailed attribution, held securely in line with Data Protection Act. <p><u>Introductions and background</u></p> <p>Let's start by learning a little about you and your role.</p> <p>Can we go round the group, please give your name, your LA, and your job title/role.</p> <p>PROBE: Are you responsible for administering HB in your Local Authority? How big is the HB caseload in your LA? To what extent is dealing with HB fraud and error part of your day to day work? Do you complete the LA's subsidy return?</p> | <p><i>The aim of this section is to find out about the participants role and level of involvement with HB fraud and error.</i></p> <p><i>This context is important and will frame the rest of the discussion. This section is also helpful as it gets the participant used to talking about their role and how this links with tackling fraud and error.</i></p> |

| Timing | <u>2. Opening discussion</u> | Notes and Prompts |
|---------|--|---|
| 15 mins | <p>To kick off, we would like your views on Housing Benefit fraud and error at the national level.</p> <p><i>Read out stats:</i></p> <p>Just to provide some initial national context:</p> <ul style="list-style-type: none"> • In 2013-14 £23.9 billion was spent on Housing Benefit, 15 per cent of DWP's total benefit spending. The Department estimates that £1.4 billion was overpaid in 2013-14. • Claimant error was the cause of two-thirds of overpayments (£900 million), due mainly to unreported fluctuations in claimants' earnings. • £340 million of overpayments were due to fraud and £150 million of overpayments were due to delay, inaction or mistaken assessment by local authority officials (<u>PAC report 2014-15</u>) <p>Thinking about those national statistics, and your experience, what are the top three challenges you face when trying to tackle Housing Benefit fraud and error? Please note these down on the post-its provided.</p> <p><i>Allow 2 mins for noting down, go round the table and note down answers on a flipchart, grouping together similar issues.</i></p> <p>PROBE:</p> | <p><i>This section is designed to set out the ongoing national issue with Benefit fraud and error. The top three issues raised by participants should be noted down on a flipchart and ensure they are addressed throughout the next hour, especially during section 3.</i></p> <p> </p> <p><i>DWP note: It is vital we link the big issues with the subsidy regime otherwise all we have is a list of issues with possibly</i></p> |

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| | <ul style="list-style-type: none"> - Why are these the top issues? - To what extent do you think the challenges you mention chime with others here who work across different LAs? - Do you think these challenges relate to what is happening nationally? - To what extent has revised local authority funding had an impact on administering Housing Benefit? - Can any of these be addressed by changing the subsidy regime? If so how? | <p><i>no link to subsidy.</i></p> |
| Timing | <u>3. Understanding the impact of the subsidy regime</u> | Notes and Prompts |
| 20 mins | <p>In this section we want to understand what the current subsidy regime means for your work and the work of the local authority, and how this affects current practice. Firstly, can you explain what your understanding is of the current subsidy regime?</p> <p>PROBE:</p> <ul style="list-style-type: none"> - What is the purpose of the subsidy regime? - How does the process work? - How, if at all, does it influence your approach to HB fraud and error? <p>MODERATOR NOTE: Provide the following summary to participants before moving to next discussion.</p> <p><u>The subsidy regime is used to reimburse local authorities for paying the correct amount of money to claimants and seeks to encourage the effective administration of Housing Benefit.</u></p> | <p><i>In this section we want to test participant understanding of how the current subsidy regime works and gauge initial reactions to its effectiveness.</i></p> |

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| | <p><u>If a local authority identifies a case of fraud or claimant error it loses 60 per cent of the money paid out in Housing Benefit to the claimant.</u></p> <p>How effective do you think the current subsidy regime is in encouraging you to identify overpayments, claimant error and/or fraud?</p> <p>PROBE:</p> <ul style="list-style-type: none"> - Extent to which the subsidy is a driver for preventing fraud and error - Extent to which the subsidy regime is a driver for identifying HB fraud and error - What is the impact of the subsidy payment on the local authority? - Disincentive element – to what extent is the subsidy regime a <i>disincentive</i> for preventing/identifying HB fraud and error? - Do LAs feel more/less encouraged to identify different things (i.e. claimant error vs. fraud)? | |
|--|---|--|

| Timing | <u>4. Strengthening incentives to tackling HB fraud and error</u> | Notes and Prompts |
|---------|---|--|
| 25 mins | <p><u>CHANGES TO CURRENT APPROACH</u></p> <p>What are the key issues for you that need to be addressed to improve the effectiveness of the <u>current</u> subsidy regime? Why do you say that? How would that work?</p> <p>PROBE:</p> | <p><i>This section will explore what the main issues with the current regime are. Where possible, we will compare this to previous regimes.</i></p> <p><i>Participants will offer suggestions of realistic</i></p> |

| | | |
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| | <ul style="list-style-type: none"> - Resource and time constraints - Requirements of reporting - Monetary (dis)incentive revisions - Types of fraud identified - How does this current regime compare to the SAFE (Security Against Fraud and Error) framework that ran from 2002-2006 (<i>Focused on prevention - offering higher incentive payments to local authorities that comply with the Verification Framework; detection - offering incentive payments to local authorities for the identification of both fraud and error overpayments; sanctions and prosecutions - offering incentive payments to local authorities, not only for successful prosecutions but also for issuing an administrative penalty or formal caution)</i>) <p>Thinking about budgetary and operational issues, how realistic do you think these revisions to the current subsidy regime are?</p> <p>MODERATOR NOTE: Encourage participants to reflect on how changes could work realistically in their respective local authorities.</p> | <p><i>changes that could be made to the current system. The group will deliberate on how these changes could work in practice.</i></p> |
|--|---|--|

| | | |
|----------------|--|--|
| | <p><u>DEVELOPING NEW APPROACHES</u></p> <p>In the future, should DWP consider developing new approaches to the subsidy regime, what other strategies might also work?</p> <p>MODERATOR NOTE: Allow open discussion for 5 minutes, noting down key words and themes emerging.</p> <p>PROBE:</p> <ul style="list-style-type: none"> - What makes this strategy better than the current approach? - Who would be involved? - Would this be a shorter or lengthier process? - How realistic do you think this approach is? - What are the key advantages and disadvantages of this approach? | <p><i>The purpose of this discussion is to uncover what other incentive strategies participants think DWP should consider. It will be important to first explore the range of ideas, and then hone in on what strategies might be realistic.</i></p> |
| Timings | <u>5. Final thoughts and close</u> | Notes and Prompts |
| 5 mins | <p>Thinking about all of the areas we've covered today, what is the most important issue you want to make DWP aware of when considering the effectiveness of the subsidy regime?</p> <p>Thank participant and provide further reassurance about confidentiality.</p> | <p><i>Here participants have a chance for some final reflections on the discussion.</i></p> |